

“WORKING WITHOUT A PLAN IS LIKE
SAILING WITHOUT A COMPASS.”

AMERICAN PROVERB



Washington State Office of the
Insurance Commissioner

STRATEGIC PLAN

2009-2017

Table of Contents

Mission/Vision/Values	1
Strategic Objectives by 2017	2
Topics:	
Protect and educate consumers	
Promote a healthy insurance climate that meets consumer needs	
Measurably improve customer service, access and satisfaction	
Promote a positive and productive work environment	
2009-11 Objectives and Strategies	9
Performance Assessment	15
External Environment	16
Topics:	
Insurance is a \$25 billion business in Washington	
National and state financial crisis	
Insurance market cycles	
Enhanced insurance regulation through interstate uniformity and operational efficiencies	
Health care costs and access	
Fraud and unlawful activities	
Climate change	
Public perceptions of and access to government	
Internal Environment	23
Topics:	
Financial health assessment	
Technology strategies	
Workforce issues in a rapidly changing world	
Staff recruitment and retention	
Facility assessment	

Mission

We protect consumers, the public interest, and our state's economy through fair and efficient regulation of the insurance industry.

Vision

The Office of Insurance Commissioner is recognized as a model for consumer protection and state insurance regulation.

Values

People

We value and respect the expertise and unique qualities of every member of the OIC team, and support their professional development.

Service

We care about the quality of our work and the people we serve. We are committed to creatively improving the services we provide.

Pride

We take personal pride in our professionalism, hard work and the difference we make in the lives of the people of our state.

Integrity

We value honesty, openness, fairness, and the responsible use of the authority and public resources entrusted to us.

Strategic Objectives by 2017

Protect and educate consumers

Washington residents will have a range of options to choose from for quick access to information that helps them make intelligent choices about insurance products and companies. Tools available to consumers will range from interactive electronic media and printed material to help from staff experts and trained volunteers. The assistance consumers receive will be useful, timely, and of the highest quality.

A greater share of OIC resources will be devoted to sharing information and coordinating efforts with other state and federal agencies in examination and enforcement activities.

The OIC will use a variety of forecasting, analysis and “early warning systems” to ensure that insurers who do business in Washington State are financially solvent and acting reasonably and responsibly in the marketplace.

Those in the insurance industry who engage in misleading or unlawful practices will be deterred and prevented from doing so through a combination of public education and the certainty of enforcement action appropriate to the offense.

Promote a healthy insurance climate that meets consumer needs

- Washington will be viewed by insurers as a desirable state in which to do business.
- The OIC will continue to exceed the accreditation standards of the National Association of Insurance Commissioners (NAIC).
- Regulations concerning insurance products and insurer conduct will be necessary and understandable.
- A majority of the filings and communications with the agency will be performed electronically.
- Consumers will have access to pools that broadly share risk and make essential forms of insurance available and affordable.
- Where no viable insurance market exists because of temporary conditions, the OIC will work with industry leaders to provide interim alternative sources of coverage.
- Insurers who apply to be admitted as carriers in Washington state will receive a prompt and accurate assessment of their qualifications based on fair and reasonable standards.

Measurably improve customer service, access and satisfaction

- Insurers will be familiar with state requirements to bring appropriate products into the market in Washington and will be able to do so with a minimum of delay.
- Insurance agents and brokers qualified to obtain or renew licenses will be able to apply and pay for their credentials electronically.
- A flexible and integrated information management system will allow the OIC to promptly adapt to changing business and customer needs.
- Customers will be able to make routine public records requests from their homes or offices and have them satisfied without assistance from OIC staff.

Promote a positive and productive work environment

- The OIC will continue to be viewed as a desirable employer by employees who reflect the diversity of the communities where they live and work.
- OIC staff will continue to be involved in creating and implementing ways to improve efficiency and the service we provide to customers.
- Employee surveys will continue to reflect high levels of job satisfaction.
- Ongoing planning will continue to ensure that OIC staff has safe, secure, and modern facilities in which to work.
- The OIC is viewed by employees as a place where their opinions and ideas can be shared in an open and respectful atmosphere.
- OIC employees will have access to training to maintain and improve their job skills, and to increase opportunities for job growth and promotion.
- Modern tools and equipment that improve productivity will be made available to OIC employees.

2009-11 Objectives and Strategies

Goal: Protect and Educate Consumers

Objective: Increase company and producer compliance with state insurance laws

Strategies

- Assist entities in complying with state insurance laws by clarifying, implementing and/or repealing state insurance rules.
- Maintain the timeliness of enforcement actions taken against insurers.

Statewide Result	Improve the health of Washington citizens
Agency Activity	Policy and enforcement
Performance Measure	Percentage of insurer enforcement actions taken within 90 days of referral
Performance Targets	60% by the end of FY 2010 and 75% by the end of FY 2011

- Conduct financial examinations and compliance audits of producers.
- Improve the time it takes to investigate complaints against producers.

Statewide Result	Improve the health of Washington citizens
Agency Activity	Investigations and enforcement
Performance Measures	Average number of days it takes to complete producer investigations
Performance Targets	90

Objective: Reduce fraud and unlawful activities

Strategies

- Identify, investigate and take enforcement action against unauthorized insurance activity.

Statewide Result	Improve the health of Washington citizens
Agency Activity	Policy and enforcement
Performance Measure	Number of investigations of suspected unauthorized insurance activity completed
Performance Targets	52 in FY 2010 and 56 in FY 2011

- Identify, investigate and prosecute organized insurance fraud.
- Expand the Special Investigation Unit's ability to receive and respond to inquiries and information about insurance fraud from public sources.
- Educate consumers, law enforcement agencies, and insurance investigators on how to identify and/or investigate insurance fraud.

Statewide Results	Improve the economic vitality of businesses and individuals
Agency Activity	Policy and enforcement
Performance Measures	Amount of restitution value assessed and projected insurance claim payouts saved on behalf of victims of insurance fraud
Performance Targets	\$1.1 million in FY 2010 and \$1.1 million in FY 2011

Objective: Implement legislation

Strategies

- License and regulate life settlement providers and brokers.
- License and regulate discount health plan organizations.
- Establish regulations governing title insurance rates.

Statewide Result	Improve the economic vitality of businesses and individuals; improve the health of Washington citizens
Agency Activity	Monitoring insurance company solvency; regulation of insurance rates and forms
Performance Measure	Percentage of level 1 and level 2 market analysis review completed on domestic insurers; average number of days required to finalize the filing review process for rate and form filings
Performance Targets	100%; 28.5 in FY 2010 and 28.5 in FY 2011

Goal: Promote a Healthy Insurance Climate That Meets Consumer Needs

Objective: Establish universal health insurance benefits for all Washington residents

Strategies

- Promote universal health insurance benefits at the local, state and national level.
- In the absence of a national proposal, continue to develop public and legislative support for the passage of universal health care legislation.

Statewide Results	Improve the health of Washington citizens
Agency Activity	Policy and enforcement
Performance Measure	Number of outreach communications and events held
Performance Targets	16 in FY 2010 and 8 in FY 2011

Objective: Prevent the insolvency of domestic insurers and maintain financial monitoring accreditation by the NAIC

Strategies

- Enforce solvency standards by conducting targeted and full-scope financial analyses and financial examinations, and through market conduct oversight.
- Review financial statements for all domestic insurers each quarter for possible regulatory intervention.
- Implement risk-focused financial examination requirements for all applicable companies.

Statewide Results	Improve the economic vitality of businesses and individuals
Agency Activity	Monitoring insurance company solvency
Performance Measure	Percentage of domestic insurers that are rated as financially stable
Performance Targets	75%

Objective: Increase compliance with NAIC and federal uniformity and reciprocity standards

Strategies

- Complete conversion from cyclic exam process to analysis process for real-time monitoring of insurers' activity in the market place.
- Adopt NAIC model laws and rules necessary for market regulation and company licensing accreditation.

Statewide Results	Improve the economic vitality of businesses and individuals
Agency Activity	Monitoring insurance company solvency
Performance Measure	Percentage of level 1 and level 2 market analysis reviews completed on domestic insurers each year
Performance Target	100%

- Implement non-resident licensing through the NIPR portal via an interface with SIMBA.

Statewide Results	Improve the economic vitality of businesses and individuals
Agency Activity	Agents and brokers licensing and education
Performance Measure	Number of licenses and appointments issued for insurance producers
Performance Targets	429,000 in FY 2010 and 472,000 in FY 2011

Goal: Measurably Improve Customer Service, Access, and Satisfaction

Objective: Increase efficiency by upgrading SIMBA core and improving on-line services

Strategies

- Implement high-priority enhancements to SIMBA Core.
- Add self-service capabilities for consumers to securely file inquiries and complaints over the internet.
- Establish SERFF as the exclusive vehicle for submitting rate and form filings.
- Increase options for the electronic payment of fees.
- Implement a system for the electronic submission of fingerprint cards to the Washington State Patrol.
- Establish electronic licensing as the exclusive process for producers to obtain licenses and appointments.

Statewide Results	Strengthen the government's ability to achieve results efficiently and effectively
Agency Activity	Agency administration
Expected Results	To provide executive and administrative services in support of the agency's mission in a professional, qualitative, and responsive manner that emphasizes efficiency and cost-effectiveness

Objective: Increase consumer awareness of available consumer advocacy services

Strategies

- Require insurers to publish the OIC Hotline number on written materials provided to policyholders.
- Increase information provided through “new media” websites, blogs, and other social networking venues.
- Develop external outreach plan promoting advocacy services.

Statewide Results	Improve the health of Washington citizens
Agency Activity	Agency administration
Expected Results	To provide executive and administrative services in support of the agency’s mission in a professional, qualitative, and responsive manner that emphasizes efficiency and cost-effectiveness

Objective: Improve the access, usability and consistency of information available to consumers via the agency’s website

Strategies

- Conduct a web usability analysis and implement recommended improvements.
- Redevelop and consolidate existing consumer-enabled online services and content posting tools.

Statewide Results	Improve the health of Washington citizens
Agency Activity	Agency administration
Expected Results	To provide executive and administrative services in support of the agency’s mission in a professional, qualitative, and responsive manner that emphasizes efficiency and cost-effectiveness

Goal: Promote a Positive and Productive Work Environment

Objective: Improve recruitment success and retention of hard-to-fill positions

Strategies

- Develop and implement a workforce development and succession plan.
- Create and implement an employee recognition plan.

Statewide Results	Strengthen the government's ability to achieve results efficiently and effectively
Agency Activity	Agency administration
Expected Results	To provide executive and administrative services in support of the agency's mission in a professional, qualitative, and responsive manner that emphasizes efficiency and cost-effectiveness

Objective: Establish an agency performance management system that involves employees at all levels of the agency

Strategies

- Develop a process that includes employees at all levels of the agency in the development of the agency strategic plan.
- Incorporate strategic, business, and operational plan strategies into employee performance expectations.
- Complete an annual agency assessment and employee survey.
- Support the agency's commitment to continuous process improvement by exploring opportunities to align similar functions, leverage technology and streamline manual and paper processes.

Statewide Results	Strengthen the government's ability to achieve results efficiently and effectively
Agency Activity	Agency administration
Expected Results	To provide executive and administrative services in support of the agency's mission in a professional, qualitative, and responsive manner that emphasizes efficiency and cost-effectiveness

Performance Assessment

Actual performance is on target with performance estimates. There are no material variances or issues to report.

External Environment

Insurance is a \$25 billion business in Washington

The insurance industry is critical to Washington's economy and to the well-being of our state's residents. Insurance transactions generate about \$25 billion in economic activity every year, and generate about \$450 million in state tax revenue annually that is used to fund a wide range of public services. The financial crisis of 2008-09, including a deep and long-lasting recession, directly impacts the insurance markets and requires even greater vigilance on the part of insurance regulators.

National and state financial crisis

The financial crisis, from which the national and global economies seem to be slowly recovering, has highlighted the need for increased vigilance by insurance regulators of insurers' financial positions. Though the vast majority of insurers will survive the crisis, all insurers have been and will continue to be adversely impacted financially by economic forces. Many insurers have experienced investment devaluations, which currently reduce net worth and, in the long run, produce less income. Capital markets cannot easily provide new capital to support current operations or allow expansion.

Economic conditions are also causing insurance consumers, small and large, to forego or reduce insurance coverage, thereby further reducing insurer income. Some weaker insurers may not be able to withstand the economic strain, and vigilance by the agency will be an important tool to minimize consumer harm as those insurers fail. Most insurers will withstand the economic strain, assisted by watchful local regulators. Whether or not insurers fail, an almost certain by-product of the economic crisis will be reduced taxes to support state operations and reduced financial support for insurance regulators.

Insurance market cycles

The availability and affordability of personal and commercial lines of insurance are cyclical in nature. Life, health, auto, home, liability and other kinds of insurance are influenced by competitive market forces, the regulatory climate, inflation, investment returns, catastrophic events, and the accuracy of predicting future claims.

The property and casualty insurance market is characterized by cyclical patterns in underwriting restrictions, rates, and profits. These cycles are more significant for commercial lines products than for personal lines. A full market cycle typically lasts seven to 15 years. During the “hard market” phase, rates rise and some insurers lose their interest in insuring certain risks. Insurers abandon lines of business that they find to be unprofitable. Some businesses and consumers find that they are able to purchase insurance only through an insurer of last resort. This may be a surplus lines insurer or some other alternative insurance market – where rates and policy forms are unregulated, and there is no financial recourse if the insurer can’t fulfill its promises.

In contrast, insurance prices level off and fall in a “soft market,” and authorized insurers become more willing to insure the risks that they considered marginal or unprofitable during the hard market phase of the cycle.

From 2000 to 2003, Washington state and the rest of the nation endured a hard market. For the most part, soft market conditions have now prevailed for several years. Rates have dropped and availability of all but a few types of liability insurance has improved. The financial crisis of 2008-09, however, has resulted in decreased investment returns and significant capital losses for insurers. These changes are likely to cause the market to harden again sooner than it would have otherwise.

Even the severe hurricane events of 2004 and 2005 (Hurricanes Katrina and Rita) did not seem to reverse the softening market for liability insurance. The property and casualty insurance industry made significant profits in those two years, despite the hurricanes.

Extreme weather events, however, have led insurers to review their exposure to catastrophic events more broadly, in light of recent research on climate change, earthquake hazards, and other issues. The result is less willingness by insurers to provide earthquake coverage, and several large writers of homeowner insurance have exited the earthquake insurance market here. Reinsurance costs are one factor leading to this reduction in earthquake insurance writers.

Regardless of the number, type, magnitude, and location of catastrophic events that affect the insurance industry in the next several years, the cyclical nature of the property and casualty insurance market makes it likely that there will be another hard market between now and 2015.

Enhanced insurance regulation through interstate uniformity and operational efficiencies

The adoption of the new state market conduct oversight law in 2007 marked a paradigm shift in insurance regulation. It moved the agency from a statutorily-required five-year cycle for market conduct examinations of domestic companies to market analysis, focusing resources on problem insurers and specific regulatory violations, regardless of the state of domicile. This profound change was driven at the national level to modernize and standardize insurance regulation and to better focus limited resources on consumer protection.

We anticipate the insurance industry and its congressional allies will push for greater uniformity among states in licensing and regulatory standards, and single “points of entry” for various products to gain approval. Congress will continue to re-examine the role that federal government should play in insurance regulation. Some insurers, and their trade organizations, will pursue national standards for products that would reduce the current consumer protection standards here in Washington state and most of the larger states.

State insurance regulators recognize the need for more uniformity, which regulators and those regulated agree can be more efficient. A uniform state system of regulation also is likely to provide stronger consumer protection than a cumbersome bureaucracy which a federal system would most likely create.

To promote uniformity among state regulators, the NAIC is developing accreditation programs in market conduct oversight and company licensing. Washington state is actively participating on the committees developing those programs. Washington’s participation makes it likely the state will be compliant, or very nearly so, when the final programs are enacted. Resources must continue to be allocated to allow for involvement with the NAIC and for the implementation of accreditation programs.

Washington state demonstrated its commitment to uniformity and efficiency by being an early adopter and active promoter of the Interstate Insurance Product Regulation Compact, which allows insurers “one-stop shopping” in the multi-state filing and approval of new products. Washington consumers benefit by having a choice of more products, and the OIC benefits by having a significant portion of its life, annuity, and long-term care filing workload handled by the compact.

Major statutory reforms in agent/broker/producer regulation in 2007, 2008, and 2009 further demonstrate Washington state’s commitment to uniformity. Those changes,

coupled with huge strides in electronic commerce capabilities, have increased uniformity and efficiency for resident and non-resident insurance producers and for the OIC.

Uniformity and its efficiencies also provide an opportunity for more proactive than reactive insurance regulation, in real-time rather than after-the-fact, and preventive rather than punitive actions. Consumers will be the ultimate beneficiaries by receiving stronger products in a better-regulated market that is less costly for all.

Health Care Costs and Access

Today's health insurance system is in crisis. Seven hundred thousand people in Washington state are uninsured. One of every four people lucky enough to have insurance doesn't have enough coverage to meet their needs – leaving them unprepared to pay for medical expenses. Safety nets, available to the uninsured or underinsured through programs that rely on state revenue – such as the Basic Health Plan and Medicaid – will continue to deteriorate for the short and mid-term. The loss of state subsidies has added tens of thousands more people to the uninsured ranks.

The health insurance crisis will only worsen. An aging population, combined with expensive medical technologies and anticipated federal and state cuts to reimbursement formulas for providers, will put additional stress on the system. Consumers will require more help to find affordable coverage and to challenge coverage decisions they believe to be unfair.

State government spends an estimated \$4.5 billion on health care, up from \$2.7 billion in 2000. This \$2 billion increase means that the share of the state budget dedicated to health care has jumped from 22% in 2000 to 28% today. Additionally, Washington state health care providers spent nearly \$584 million in 2006 for uncompensated care for the uninsured, an increase of 28% from 2002.

A lack of significant reform efforts by the federal government creates an opportunity for creative solutions to the health insurance crisis at the state level. The OIC will continue to devote energy and resources toward achieving consensus on fundamental changes in the system to expand risk pools, increase competition, help control health care costs, and work toward health insurance reform that would offer peace of mind and a guaranteed level of financial security to all Washingtonians that they deserve.

Fraud and unlawful activities

An anti-fraud program created in 2006 within the OIC targets organized crime rings involved in insurance fraud. While Washington state ranked 18th in the nation for premium volume in 2005, it ranked 11th for suspected insurance fraud. The costs associated with this kind of criminal activity add as much as \$400 per year to the average consumer's insurance bill. Significant savings can be achieved with effective criminal fraud investigation and prosecution.

As the state and nation face potential economic downturns and national disasters, the rate of criminal insurance fraud is expected to grow worse. The agency will need to prepare to handle the challenge of a growing criminal caseload.

Overall, OIC enforcement activity has increased steadily over the past two years, and is expected to continue to climb. This includes insurance code violations by insurers, and producers who have agency approval to operate in the state, as well as those who are not authorized. We believe that early detection, termination, and broad communication of unlawful insurance activities is the most effective means of protecting Washingtonians and ensuring that competitors do not gain an unfair advantage.

This effort is particularly important as the rising cost of health insurance provides a fertile landscape for fraudulent health plans. Scam artists continue to prey on vulnerable people struggling to find adequate, affordable health care. Early education to alert consumers about phony health insurance plans is vital because there is little recourse once they become victims, left holding unpaid health claims.

Also, as more insurance products are sold via the Internet, without the benefit of advice from a licensed agent or broker, consumers will need greater assistance and information from the OIC about insurance companies and the products they sell.

Climate Change

The effects of climate change on property and casualty insurance are evolving. As weather patterns change, major hurricanes, wildfires, and flooding are occurring more frequently across the country. More property damage prompts more insurance claims. Driven by weather-related losses, 2008 was the third most expensive disaster year on record, with catastrophes causing \$200 billion in losses worldwide. Five events alone in the United States caused over \$52 billion in losses, with almost half of that amount as insured losses.

If catastrophic weather events continue at this pace, they also may affect the ability of the reinsurance industry to attract capital due to reduced return on investment. This would result in decreased reinsurance capacity available for primary property and casualty insurance carriers at likely higher rates. This, coupled with the continued expansion in disaster-prone areas and the current global financial situation, may cause the property and casualty market to harden, or even contract in certain geographic areas, if carriers are unwilling to accept new risk or renew some existing risk. Continued catastrophic weather events could result in higher prices for consumers or even compromise the ability of consumers to obtain property coverage.

As a means to understanding the relationship between climate change and insurer operational, claim, and investment risk, the NAIC will require insurance companies to complete a climate risk disclosure survey, beginning in 2010. The OIC will need to carefully monitor the ongoing results of this survey and the impact it may have on insurance consumers – that may require public policy decisions.

Public Perceptions of and Access to Government

The OIC receives funding from an industry surcharge, not the state general fund. However, the fiscal strains of funding for education and other state programs have an indirect – but significant – impact on this agency. As revenue instability becomes a factor, the resulting pressure on state government to cut services and increase taxes creates a demand by the public for increased efficiency, effectiveness and accountability in state programs. The agency will be expected to effectively manage available resources and ensure that staff has the knowledge, skills and abilities to adapt to evolving technologies and improved work methods.

Access to government services and information continues to be of utmost importance to the public, the insurance industry and the agency. Several major initiatives are underway to improve access, make more information available via the Internet, and expand electronic commerce. The OIC will continue to build upon earlier efforts, while moving toward greater uniformity among states in licensing and regulatory standards, and single “points of entry” for various products to gain approval.

Internal Environment

Financial Health Assessment

The OIC does not foresee any trends in its revenue sources, fund balance changes, or cost pressures that will negatively affect the agency's financial stability. The agency's operating costs are funded by a regulatory surcharge paid in June each year by insurers, health care service contractors (HCSCs), and health maintenance organizations (HMOs). The money is deposited in a dedicated fund to pay the operating costs for the following fiscal year. This is expected to continue as a very stable source of revenue for the agency.

The regulatory surcharge increases as premiums rise each year. The incremental increase is expected to sufficiently cover inflationary costs for staff salaries and benefits, and agency equipment. The surcharge rate is subject to a statutory cap. Due to increases in staffing to meet national accreditation requirements, undertake IT projects, and develop new market oversight and anti-fraud programs, proposals for future budget enhancements must be carefully managed. Ensuring the long-term viability of operating revenue to meet consumers' needs requires exploring alternative dedicated funding sources to pay for targeted programs.

If universal health care or some other major health care reform is adopted, it could impact the premium tax and regulatory surcharges collected from health insurance. The possible impact of such a change cannot be quantified at this time.

Technology Strategies

To better position the agency to protect consumers and to keep pace with an increasingly sophisticated regulatory climate, the OIC has made a number of substantial technology investments into its core regulatory business systems. With the national push toward greater uniformity among states in the areas of licensing, market oversight and regulatory standards, the OIC must continue to leverage technology as a vehicle to achieve uniformity and build upon earlier investments.

The agency has completed four planned 2007-09 online initiatives aimed at increasing "self-service" and e-commerce services to the public. In support of the agency's strategic plan to maintain and further extend the capability of their technology investments, technical staff are assuming full technical responsibility for the agency's core systems from vendors by June 30, 2009. Additionally, the agency is leveraging the benefits of server

virtualization to reduce the “hardware footprint” of the agency, thereby saving power and space and improving disaster recovery and support capability.

To maximize the business benefit of these investments, the OIC intends to build upon its regulatory core business systems on current supported technologies. The agency must ensure timely and adequate IT staffing levels to maintain and enhance the systems. Technology investments are not self-sustaining and, if not considered an agency priority, will languish quickly in today’s high-pace technology environment.

The OIC recognizes the value of and dependency on technology, and the connection it has to protecting consumers and regulating the insurance industry. The agency is committed to sustaining its technology investments through continuous and consistent business systems upgrades, and by ensuring that IT staff possesses the necessary domain knowledge and technical expertise to support the systems.

Due to the state’s budget shortfall and the shrinking national economy, the pressure to consolidate and take greater advantage of statewide shared services has increased significantly. The possibility that some services provided by agency IT staff could be consolidated within a centralized agency (most likely DIS) and provided to the OIC as a shared service is gaining momentum. Some of the areas being targeted include email, servers, network administration, technology procurement and certain enterprise systems. To ensure the agency’s strategic plan is continuously aligned with external forces, the OIC will need to review the strategic plan yearly and take into consideration statewide direction towards shared service.

Workforce issues in a rapidly changing world

Now more than ever, employee competencies are the basis of an organization’s success. The OIC is no exception. Staff training and development play crucial roles in helping the organization keep up with the breathtaking pace of technology changes, greater demands for worker accountability and productivity, and pressure to do more with less.

The OIC will be expected to effectively manage available resources and ensure that staff has the knowledge, skills and abilities to adapt to evolving technologies and improved work methods. The public and insurance industry continues to expect more Internet-based systems and more automation of business processes. Coupled with the move toward states’ uniformity in licensing and insurance regulation, the OIC must prepare to transition its workforce to an increasingly electronic work environment.

Staff Recruitment and Retention

Forces outside the agency may make hiring specialized positions more difficult. For example, in the accounting/auditing profession, fewer people are entering into degree programs that supply financial examiner positions. In the information technology field, recruiting, hiring and retaining experienced .NET developers, system analysts, infrastructure staff and project leaders will be a recurring challenge for the OIC as the agency competes with the private sector and other larger government agencies.


The current economic decline has had an effect on the job market. The loss of jobs in the private sector may mean less difficulty recruiting; however, we expect this effect to last only as long as jobs are scarce. Once the economy strengthens and businesses are looking for qualified employees again, we will most likely find that the salary gap for certain positions, such as accredited actuaries, financial examiners, and .NET developers, will once again become an issue when trying to attract applicants to state service.

Given the fluctuating job market, the OIC will need to find creative ways in the near future to retain high-performing staff during periods of high job market demand. The OIC is a relatively small agency, which makes it difficult to provide staff promotional opportunities aimed at increasing staff retention. In order to reduce the impact of staff attrition for key IT positions, the OIC will need to continue efforts to expand succession planning and cross-training.

As key OIC staff move into their retirement years, it's important to find talented replacements. Almost 50% of current OIC staff are or will become eligible for retirement by 2015. Those possible retirements, coupled with ordinary turnover, may result in service delays while positions are vacant. Losses in investment markets will most likely delay retirement for some, which may result in a more concentrated impact over a shorter time period once the economy improves, rather than having the retirements more evenly spread over a number of years.

Facility Assessment

The state Department of General Administration, in coordination with the Office of the Secretary of State and OIC, is building the Heritage Center/Executive Office Building (HC/EOB). These new buildings are the first “monumental” new construction projects approved by the Legislature for the west capitol campus in more than 50 years and are



expected to be occupied for over 100 years. The OIC will be the primary tenant, allowing the agency to relocate staff displaced from the capitol campus earthquake repairs and retrofitting.

The new Executive Office Building supports the 2006 Capitol Campus Master Plan by reducing leased space and co-locating state offices. The EOB will be energy-efficient and will provide a healthy work environment. Products chosen for the building will be sustainable, reusable, durable and environmentally-friendly, resulting in at least a Silver certification from Leadership in Energy and Environmental Design. The building will be financed through a certificate of participation (COP). The OIC will lease the space from General Administration, resulting in increased lease costs for the life of the COP.